The Influence Of Business Partnership And Competitive Strategy On Business Performance (A Survey On Footwear Industry In The Province Of Banten, Indonesia)

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Abstract: The footwear industry in Banten Province is facing the issues of low business performance in the last five years caused by an inappropriate competitive strategy and business partnership that is not close yet. This research aims to study about business partnerships and competitive strategy on business performance of footwear industry in the Province of Banten. The study is conducted by descriptive and explanatory survey methods. The unit of analysis are companies of footwear industry in Banten Province. Time horizon is cross-sectional, which the study was conducted at a time simultaneously. The hypotheses is tested by using PLS. The finding of the study reveals that the company's management of footwear industry in the Province of Banten does not have a close partnership yet, and have not been implement appropriate competitive strategy yet to improve their business partnership. There is simultaneous influence of business partnership and competitive strategy on business performance. The influence of competitive strategy is greater than business partnership's influence in improving business performance.

Keyword: Business Partnership, Competitive Strategy, Business Performance,PLS,Footwear industry

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I INTRODUCTION

1.1 Research Background
The footwear industry is an industry produces the footwear, whether it be shoes and slippers, the material can be made from leather or animal skins or Synthetic (imitation leather). According to the Ministry of Industry (2012), the footwear industry has some potential to continue to grow not only in the domestic market, which has a population of over 240 million. The consideration is the market segment for the footwear industry are endless, ranging from young children to adults, and in every strata of society. Changes in people's lifestyles also led to increased demand for footwear. In addition, industries that can provide the raw material for the footwear industry is growing, such as leather tanning industry, the industry imitation leather / Synthetic, industrial glues and other supporting industries. But until now the relative growth of the footwear industry is not optimal, even in a period of more than five years tend to fluctuate. This indicates that the business performance of this sector tend not optimal. Business performance of footwear industry seen from the average target and actual sales over the last 5 years has the average achievement between 60% to 70%. The less optimal business

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performance in the footwear industry in Banten province allegedly due to the implementation of competitive strategy that is still relatively weak in the eyes of its stakeholders. This is indicated by the lack of price competitiveness compared to products from other countries, especially products from China. Then, the industry is still lack the ability to offset the acceleration of the company's internal movement and change of business environment. Yet according to Wheelen and Hunger (2012: 186), an indication of the company has a competitive strategy is able to create products that are relatively more superior than its competitors. In addition, business partnership conducted by the industry with supplier, customer, and intermediationparties is assessed has not been close. Meanwhile according to Cravens (2013:196) a good partnership is vertically and horizontally with any stakeholders. Based on the above statements, it is important to study about business partnership and competitive strategy and its implications on the business performance of footwearindustry in Banten Province.

1.2 Literature Review
According toCraven (2013) relationship is an effort to do cooperation with stakeholders. Strategic alliance is used by many companies competing in whole word. Partnership includes the vertical relationship that consists of relationships with suppliers and customers and horizontal comprising lateral and internal relationship. According to Wheelenand Hunger (2012) business partnership can be used to create competitive advantage in one particular industry through cooperation with other companies. According to Hubbard and Beamish (2011:20) anorganization'scompetitivestrategyis to position thebusiness more competitivecompared to other similar industries. In line withtheopinionWheelen and Hunger (2012:183) which states that the competitive strategy focuses on developing a good competitive position of business units engaged in goods and services. Pearce and Robbinson (2011: 215) arguest that competitive strategy is an effort for the creation of a sustainable competitive

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advantage through cost leadership and product uniqueness. Zhu & Nakata (2007 : 190) states the business performance" we specify business performance as consisting of two components (1) market performance,, which is the relative effectiveness of an organization in market domains (indicated by product quality, customer retention, and other market-tied measure), and (2) financial performance, which is the relative effectiveness of an organization in financial domains (indicated by gross profit margin, return on equity, and other traditional accounting-based measures)". According toBest (2009: 66) "business performance is the output or result of the implementation of all activities related to business activities, business performance indicator is the growth in sales and profitability".

1.2 Research Objectives
To obtain a study about the influence of business partnership and competitive strategy on business performance on footwear industry in Banten Province.

II RESEARCH METHODS

2.1 Methods Used
The nature of this research are descriptive and verification. The research method used is the explanatory survey method. This method aims to test the hypothesis of a causal relationship between the various variables studied based on the data obtained in order to get the meaning and implications of the problem to be solved in a systematic, current, and accurate (Sekaran, 2006: 30). The unit of analysis is footwear industry company in the province of Banten. Time horizon in a cross-sectional, in which the study is conducted at a time simultaneously.

2.2 Sampling Technique
The population in this study is the footwear industry companies in Banten Province. The sample size in this study are 25 companies that taken random.

2.3 Hypothesis Testing Design
In accordance with the purpose of research, and the limited size of the sample, the analysis design is using PLS (*Partial least Square*) which shows that the business partnership and competitive strategy can improve business performance that can be seen in the component-based structural equation models or variants (PLS).

III. DISCUSSION
The testing of first hypothesisis analyzed to examine either business partnership, competitive strategy, and business performance, and revealed result as follow:

Table 1
Test of Hypothesis 1

Variable	Average	Std Error	t statistic	Conclusion
Business Partnership	3,469	0,065	-8,127	Not significant
Competitive Strategy	3,396	0,074	-8,127	Not significant
Business Performance	3,320	0,078	-8,718	Not significant

Atα=0,05reveals t table =1,99, so t statistic< t table and<u>Ho is accepted</u>. Then concluded that business partnership has not been close yet, competitive strategy has not been appropriate yet, as well as business performance has not been high. This section will discuss the results of the verification study through hypothesis testing using Partial Least Square (PLS). Prior to the discussion, it will first be analyzed test results of suitability models. In PLS, the model estimates the evaluation is done through the analysis of the Inner and Outer models.

Model Conformance Test
To test the suitability of the model in PLS can be measured through the measurement models (outer model) and structural models (inner model). The following are the results of each analysis.

1. Measurement model analysis
The first stage in which the measurement equation modeling is doing analysis of Confirmatory Factor Analysis (CFA). CFA analysis is the analysis used to test the quality of the items and the dimensions used to measure the variables of a study.

Table2
Measurement Model of dimensions of latent variables

Dimension <-Latent Variables	Loading Factor (λ)	Standard Error (STERR)	T Statistics ($|\lambda$/STERR|)	AVE	Composite Reliability
X21 <- Business Partnership	0.808	0.036	22.465	0.737	0.918
X11<- Business Partnership	0.905	0.020	44.822		
X12<- Business Partnership	0.877	0.026	34.383		
X13<- Business Partnership	0.840	0.034	24.550		
X21<- Competitive Strategy	0.945	0.010	92.531	0.765	0.907
Y22<- Competitive Strategy	0.883	0.021	41.959		
Y23 <- Competitiv	0.789	0.037	21.181		

Dimension <-Latent Variables	*Loading Factor (λ)*	Standard Error (STERR)	T Statistics (|λ /STERR|)	AVE	Composite Reliability
e Strategy					
Z1 <- Business Partnership	0.900	0.019	48.372	0.829	0.935
Z2 <- Business Partnership	0.934	0.014	66.638		
Z3 <- Business Partnership	0.896	0.019	46.131		

Source: OUTPUT SmartPLS

Results of the analysis indicate that all dimensions of the measurement model as a valid indicator with the value of loading factor greater than 0:50. In addition to a valid, all indicators have a high reliability with composite reliability values greater than 0.700. While the method to see the discriminant validity is to look at the value of the square root of average variance extracted (AVE). Recommended value is above 0.5. The table above showed AVE value above 0.5 for all constructs contained in the research model. The above results explain that the measurement model that was developed in the research model proven to actually measure the latent construct targeted and able to represent the model that fits the data.

2. Analysis of Structural Model (Inner Model)

After the Outer Model are valid and reliable, subsequent do testing of structural models (Inner model). Goodness of Fit measures structural model of the R-Square on the construct: that shows the difference between the observed values and the values predicted by the model.

Table3
Goodness of Fit of Structural Model (Inner Model)

Variable	Cronbachs Alpha	Communality	R Square	GOF
Business Partnership	0.880	0.737		
Competitive Strategy	0.843	0.765	0.882	0,825
Business performance	0.896	0.829	0.869	

Sumber: OUTPUT SmartPLS

Table4
Equation of Inner Model

Inner Model	γ	Model Equation

Business Partnership ->Business Performance	0.026	Y= 0,026X1+0,595X2 +ζ1
Competitive Strategy ->Business Performance	0.595	

Source: OUTPUT SmartPLS

Test reliability is reinforced by Cronbach's Alpha> 0.7. These results reinforce the testing, that the model already has the consistency and accuracy in measuring the construct. Test R-squared (R^2) aims to determine how well the inner workings of the model (structural model) were formed. According to Ghozali (2011: 27), when the R^2 value of 0.67 (mean as good), 0.33 (mean as moderate) and 0.19 (mean as weak) to endogenous latent variables in the model inner. In this study, minimum value of R-squared (R^2) is 0.882. This suggests that the study had very good inner models, as well as GoF value of 0.820, so that it can be concluded that the model of research supported by the empirical or model is fit.

Hypothesis Testing

The following describes the results of testing hypotheses 1 and 2 : The result of first hypothesis describes as below figure :
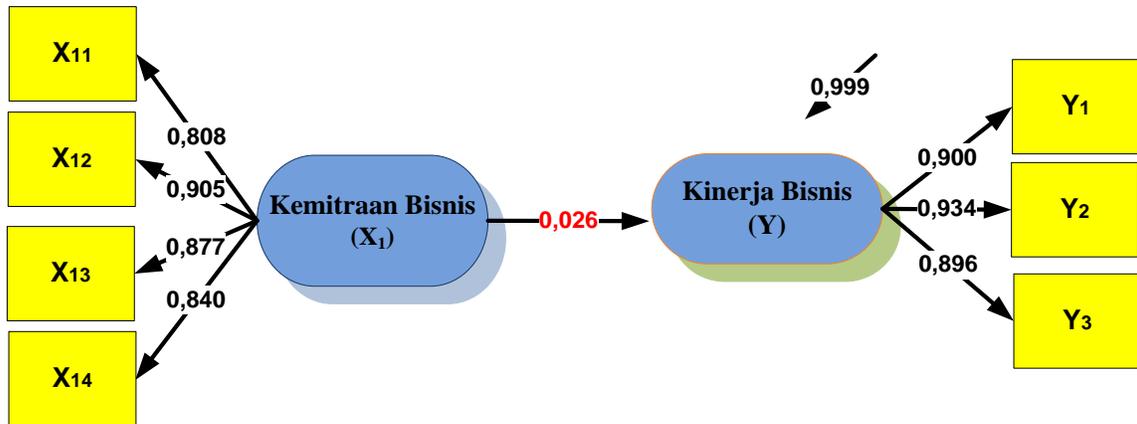
Figure 1 : *Testing Result of Hypothesis 1*
The result of first hypothesis describes as below table :

Table 5
Testing of Hypothesis 1 Partially

Hypothesis	γ	Standard Error (STERR)	T Statistics (|γ /STERR|)	R^2
Business Partnership ->Business Performance	0.026	0.127	0.203	0.001

*Significant at α=0,05

The test result show that business partnership has no significant influence on business performance. The second hypothesis testing results are described as follows:
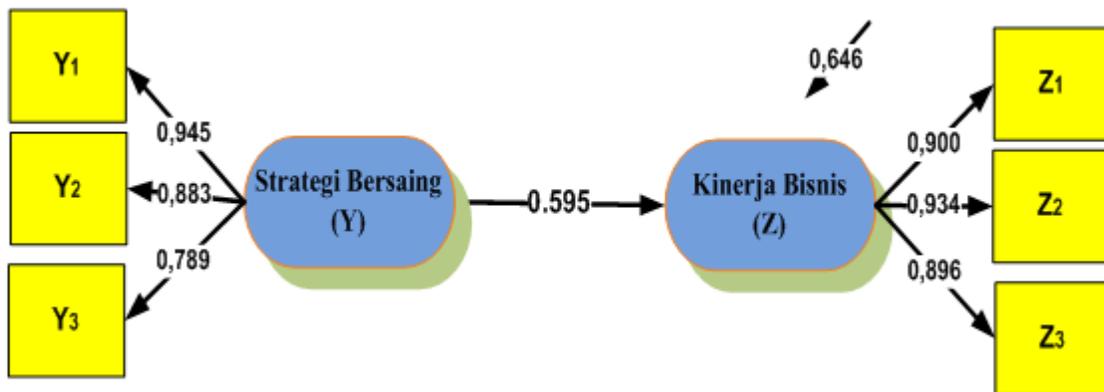

Figure 2: *Testing Result of Hypothesis 2*

Hypothesis testing results shown in the table below:

Table6
Testing of Hypothesis 2 Partially

Hypothesis	B	Standard Error (STERR)	T Statistics (|γ /STERR|)	R^2
Competitive Strategy ->Business Performance	0.595	0.117	5.070*	0,35 4

*Significant at α=0,05

The results show that competitive strategy has a significant influence on business performance in the footwear industry in the province of Banten. Competitive strategy is how each business unit is able to position the product on the market that are relatively more superior compared to similar products owned by the competitor. Based on test results, it is revealed that cost leadership strategy dimension has the greatest influence in reflecting competitive strategy in influencing business performance, followed by the dimensions of differentiation strategy, and speed strategy. Cost leadership strategy shows the company's ability to set the level of operating costs to be more efficient than competitors, and the ability to determine the level of price / tariff below the competitor price. The results show that these aspects indicate the dominant influence in affecting business performance in the footwear industry in the province of Banten. Thus showing that the decline in business performance is mainly caused by the inability of the company to establish a more efficient operating costs than competitors, and in determining the price / tariff below the price of competitor. The findings of the study reveals that competitive strategy has dominant influence compared to business partnership in improving business performance in the footwear industry. Cost leadership strategy in the form of the establishment of a more efficient operating costs and pricing / tariffs below competitor prices contributed most in reflecting competitive strategy to support business performance. Based on these results, the management is necessary to improvethe aspects of the implementation of cost leadership strategy to be able to win the competition in the footwear industry players in order to generate superior business performance. To that end, it is necessary to do operational strategy that includes an increase in termsof : the determination of a more efficient operating costs and pricing / tariffs below competitors' prices. Costing more efficient operational and pricing / rates under competitor prices that support the achievement of competitive advantage needs to be supported by an improve in doing business partnership. The results of the study support the findings of Agic, Kurtović,Čičić (2010)which provide the basic conclusion in their research with the fact that, in accordance with the criteria under the supervision competitive position, the company can be grouped into three basic categories. The first category includes companies that offer the highest quality, at the price is high. These companies target the appropriate exclusive market segment and mostly use the differentiation strategy.

Company of the second group is characterized by broad market coverage; they focus on promotion, and almost never use price as a competitive advantage factor. The last group company is positioned to offer a rather low product quality standards and at a much lower price. The results also support the findings of Yeung, Selen, Sum (2006) who discovered the problem a lack of review of the logistics strategy and examine it based on strategic orientation Porter namely differentiation, cost leadership, or a combination thereof. The results showed that the logistics service provider with the classification of the different strategies that different reporting financial performance as well, where the company is following the combined cost and differentiation strategy has the best performance, followed by the companies that use pure differentiation, which in turn outperformed pure and commodity cost-driven.

CONCLUSION AND RECOMMENDATIONS

The company'smanagement of footwear industry in Banten Province does not have a close partnership yetand have not been implement appropriate competitive strategy yet, to improve business performance. Business partnership has no significant influence on business performance of footwear industry in Banten Province. Competitive strategy has a significant influence on business performance in the footwear industry in the province of Banten. The research findings in this paper, is expected to be a reference for academics to conduct research development, in which the results of these findings serve as part of the premise in developing the framework.

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